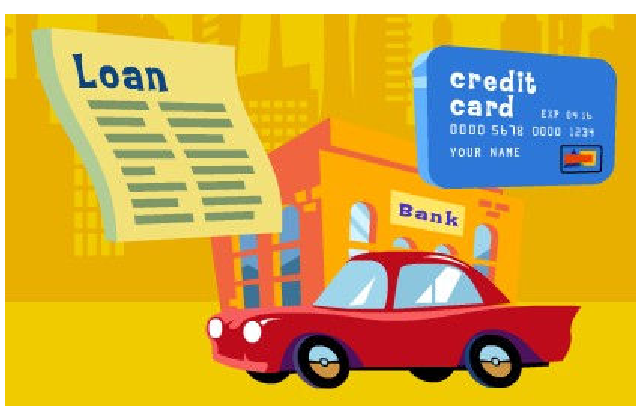
Unit 5: Interest & Credit

Part 2 - Credit

Topic	Assignment #	Date
Introduction		
Credit Cards	5	
Creating Credit Card	5b	
Loans	6	
Promotions	7	

Name: ______________________________



Introduction to Credit

What is Credit?

Credit plays a large role in personal finance because almost everyone uses it. In order to buy a house, a car, furniture, or even to go on holidays, we may use credit.

Credit is borrowing money with the promise to pay it back. Credit is often used for the large purchases listed above, but even using a **credit card** is a form of **credit** (as you may have guessed, since it is called a **credit** card). In the case of credit cards, you may be under the impression that real money is not involved, but you must still pay that money back to the credit card company

Credit may be defined as the **advance of goods and/or services in exchange for a promise to pay at some future date**. "When you buy on credit, there is a mutual expression of faith between yourself and the lending institution that you will pay in the future. **Credit is a form of debt**. If you use credit **wisely** it can *enhance your standard of living*. If you use it **poorly**, it can lead to *serious financial problems*.

Credit is not free. Borrowing money has a price; it is called interest. When interest is added to the amount borrowed (principle), you spend more dollars over time than saving and paying cash for the item in the first place.

Watch the 5 minute video – The Math of Credit Cards

http://www.pbslearningmedia.org/resource/mkqed-math-rp-creditcards/the-math-of-credit-cards/

Credit Approval

Banks and other financial institutions approve credit based on a number of factors. Credit approval is the *process* a person undergoes to become *eligible* for a loan or other credit. Granting credit approval depends on a person's **credit rating:** a lender's assessment of the ability and willingness of the borrower to return the money or pay for the goods obtained—plus interest—in a timely fashion. **Credit rating** is built up on the basis of the *credit history*, *present financial position*, and the *likely future income*.

Create a Good Credit Rating

You create your own credit rating through the way you manage your money. Build a good credit score with **good credit habits**, to show that you're **credit worthy**.

- Make **100% of your payments on time** – with credit accounts, utility bills, etc.
- **Manage your bill payments** effectively to avoid missed payments. (If payments are missed, contact your provided immediately).
- Keep **credit card debt low – pay your balance in full** each month
- **Avoid opening too many new accounts at once** and **keep accounts open** for as long as possible.
- Only take on borrowing that is affordable to you. **Borrow only what you can repay.** Be sure you'll have enough income to make the payments when they're due.

The key to keeping your **debt load low and credit score high and to having more money to spend** is to understand the difference between wants and needs.

Needs and Wants

- **Need:** A necessity, something **required**, something **essential** for life (shelter - having somewhere to live, basic clothing, basic food, tools for work, medications, etc.)

- **Want:** A desire, something **wished for**, something **non-essential** (vacation, meals in restaurants, abundance of expensive clothes and shoes, video games, gym membership)

Of course, one person's want may be another person's need. For Sam, who lives near a bus route, a car may be a luxury, while for Samantha, who doesn't have access to public transit and can't cycle to work, a car may be a necessity.

As well, needs and wants may change over time. A full-sized washer and dryer may be a need while you are raising a family, but apartment-sized models may be what you need when your children are grown and you have downsized to a smaller home.

Set priorities so that you know where to spend your money.

- First priority: **items essential for healthy living** (basic food, shelter, clothing)
- Second priority: **items not essential but are important (**ex. bicycle or transit pass, running shoes, cell phone)
- Third priority: **items not essential and not important** (ex. Junk food, spa treatments, music)

There's no "right" or "wrong" when it comes to defining your needs and wants and setting your priorities. For example, even though that weekly lunch with your best friend may be a want rather than a need, it may be important to you, so it's worth spending money on—*if you can afford it*. The important thing is to find a balance between needs and wants so you can enjoy your life today but also can prepare for your future.

USING DEBT WISELY

Your decision to use debt, whether for short-term purchases or to finance your education and career goals, may have **positive and negative implications** for your future.

• **Short-term implications.** You don't have to wait to accumulate savings before moving toward your goals. But interest on debt adds to the cost, and you have to budget for regular payments.

• **Long-term implications.** You can achieve your goals earlier. But taking on debt limits your future choices, because you'll have to pay it back, which will reduce the money you have available for other options. Building a positive credit rating by using debt responsibly can make financing easier in the future. But a negative credit rating will limit your options in many ways.

• **Because debt is expensive, the best financial strategy is often to *pay down debt as quickly as possible.***

You can pay in the short term, or you can pay in the long term, but you have to pay. **The longer you put it off, the more you have to pay.**

- **When you are deciding to use credit, there are some questions that you should ask yourself before you proceed:**

1. **Do I really need** this item or can I wait?

2. What is the **least amount** that I have to borrow?

3. How much are the **interest rate** (APR (annual percentage rate) and other **fees**?

4. How much is the **monthly payment** and when is it due?

5. **Can I afford the monthly payment?**

6. **What will happen if I do not make the payments on time**?

7. What will be the **extra cost** of using credit and is it **worth it**?

8. **What will I have to give up to pay for it**?

Credit must be used with Caution!

It's not how much credit that you have, but how you handle it.

WHAT CAN YOU DO TO AVOID DANGEROUS DEBT?

• **Keep your credit rating positive**. Pay your bills on time and don't take on debt you can't pay off.

• Go to reputable agencies like **banks and credit unions** for **loans**.

• **Keep some savings ready** for emergencies.

• If you run into **credit problems**, you can get free or low-cost advice from community and government organizations.

• Be on the watch for **scams and rip-offs**. You can get information about scams in your area from the Better Business Bureau and similar organizations.

Think about different expenses for which you would use or have used credit.

Big ticket item ____

School and training ____

Unexpected Costs ____

Costs while Unemployed ______________________________________

Investments ____

Other ____

.Most people don't realize what ***going into debt*** actually means: ***moving money from their future to their present*** at a ***high cost*** in the form of ***interest***. *This can be a devastating obstacle to acquiring wealth, even for high earners.*

Types of Credit

- **Credit Card**

A credit card is a **payment card** issued to users as a system of payment. It allows the cardholder to **pay for goods and services based on the holder's promise to pay for them**. You should never spend more than you can afford to pay off at the end of the month. Plan **to pay the entire balance** before the due date every month so that you will **never pay interest**. Use the credit card to your advantage, rather than allowing the credit card company to take advantage of you.

- **Personal Line of Credit**

A personal line of credit is a **credit account** from which you can **withdraw funds** up to a predetermined limit. It is **flexible funds** available for you to use however you need. You pay interest only on the amount you withdraw. Once you are approved for a line of credit, **you can use it when you like** – you don't have to be approved every time. A line of credit has a **lower interest rate than a credit card.** You should plan to pay off your line of credit monthly, or at least make payments monthly.

- **Personal and Consumer Loans**

A consumer loan is an amount of money **lent to an individual for personal, family, or household purposes.** The loans can vary in the amount borrowed, how long you can take to repay them, and the rate of interest charged. Loans also have an **interest rate lower than a credit card.**

- **Overdraft protection**

Overdraft protection is **short-term credit** that allows you to **withdraw more money from your bank account than you have in the account**. The amount you can overdraw is **usually quite small**. This is for the client's convenience, and it helps the client maintain a good credit rating by **avoiding bounced cheques or having your debit card refused** for lack of funds. (*Cheques "bounce" if there is not enough money in the account to pay for the cheque. This can be embarrassing and there are fees you will be charged. It can also cause you difficulty the next time you try to pay that person or business with a cheque as they may be hesitant or refuse to accept a cheque.)* Banks may charge an **overdraft fee and/or charge interest** on the money withdrawn. Be sure to **monitor if you have gone into your overdraft and pay off completely as soon as you can.** If you're at your limit in overdraft, you will no longer have protection and you will again risk cheques bouncing and your debit card being refused.

Benefits and Drawbacks of Types of Credit		
Type of credit	**pros**	**cons**
Credit cards	• **Flexible** spending limit • **Wide acceptance** and recognition • **Security** measures • Incentives like cash back, Air Miles, points, bonus schemes • **Convenient** way to check and record spending • **Fixed credit limit** – can't go over • If you pay off entire debt before due date monthly, you're charged **zero interest**	• Some credit cards have **annual fees** • **Very high interest rate** on unpaid amount if you don't pay off monthly • **Debt trap** – if you pay minimum balance you are charged high interest and it's difficult to ever pay it off • Your credit limit might be really high, allowing you to build **large debt** • Doesn't feel like you're spending money and so **easy to overuse** • Unless you check, you don't know how much you've spent: could be a big surprise at end of month – **difficult to budget for** • **Credit card fraud** common
Line of Credit	• Helps **build credit** • **Lower interest rate than a credit card** • **Flexible** – only take out the amount you need • **you don't pay interest on money you don't use** • **Constant access to funds** if needed • can use to **pay off credit card debt** at lower rate	• Might have variable interest rate that changes from month to month (**hard to budget for)** • Constant access to funds and because easy to access it's **easy to spend more than you have** • Potential to rack up **serious debt**: it's not a fixed amount for a certain item like a loan – you have access whenever you want, regardless of whether it's smart spending • **Tempting** – if you always have access to this money it's easy to come up with things you think you "need"

Loans	• Can be used for any purpose and are **usually quick to get** (sometimes within 24 hours) • **Interest rate lower** than most credit cards • can use to **pay off credit card or other debt at lower rate**, with fixed monthly payment • can use for **one-time emergency expense**	• **Money is not instant**: need to apply, get approved, discuss interest options, repayment terms, etc. • Interest rates, amount you can borrow, and other terms vary with your **credit rating** • **Interest rates vary** – not always that low • If you use a loan to pay off big credit card debt, you might think you can start using credit cards again – **digging yourself into a deeper hole of debt.**
Overdraft protection	• If you don't have enough money in your account, the **cheque will clear or the debit transaction will go through anyway** • In an emergency situation, it's nice to have a **source of backup funds.** • There is a limit so you **can't go really far into debt.**	• bank will charge you an **overdraft fee** to make the transfer, even though you're using your own money to cover your chequing account shortfall • in the case of an overdraft line of credit, you'll pay **interest** on the amount you borrow until you pay it back • If you are at your **overdraft limit,** you still will be unable to complete your transaction, or can have a cheque bounce.

Exercise: Intro to Credit

1. What type of credit would probably be best used for the following?

Line of credit – credit card – overdraft protection – person loan

a) buying groceries ________________________________

b) family vacation ___________________________________

c) using more money than is in your account ________________________________

d) buying a boat _____________________________________

2. What are three **advantages** to using credit?

____

____

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____

____

3. What are three **disadvantages** to using credit?

____

____

____

____

____

____

4. Make a **list of products or services** that you, friends or family members have bought on credit.

5. What are the advantages and disadvantages of using credit to pay for:

	Advantages of using credit	Disadvantages of using credit
Post-secondary school tuition		
A car to get to work		
A vacation		
Clothing to wear to formal occasion		

6. Write some rules on when it is acceptable to use credit and when credit should not be used. (3 or more of each)

<u>ACCEPTABLE TO USE CREDIT</u>

<u>**NOT** ACCEPTABLE TO USE CREDIT</u>

Lesson 5 – Using Credit Cards

Credit cards can be a very convenient way to pay for items and they are great for building a credit rating. **It is important to pay off your monthly balance so you don't have to pay interest on the money borrowed.** Unfortunately, they can also lead to problems with debt if not used properly. ***Unless you pay before the due date, credit adds cost***.

Your **credit card statement** will tell you the total you owe. But it will also offer a minimum payment amount. **But making only the minimum payments takes a lot of your money but gets you nowhere.** It's like running on a financial treadmill.. If you had a $5,000 balance on a card with an 18.9% interest rate and your minimum payment was $200 each month, it would take you 11 years and five months to pay the entire balance. By the time you make the last payment, you will have paid **$8,109** for the **$5000** amount.

To make it even more depressing, let's say that you purchased a beautiful bedroom suite for $5,000. Once you pay the credit card balance making only the minimum payments, you will have paid **62% more** for that bedroom suite while watching the value of your furniture drop with each passing year. In 11 years or less it might be all scratched and stained and lumpy. You might be *buying a new set even before you paid off the first set.* And yet for the over $8000 you ended up paying with interest you *could almost have bought two sets.* Or could have bought one *better quality* set.

The best strategy is to pay as much as possible in the shortest amount of time.

WHAT CAN YOU DO TO CONTROL YOUR CARDS?

- **Ask questions**:
  - + Find out how and when your card company charges interest.
  - + Find out what fees apply on the cards you use.
  - + Read your monthly statement. Question any charges you don't understand.

- **Choose passwords that are hard to guess** and don't let others find out what they are.

- **Don't share passwords or PINs**. People sometimes pretend to be a friend just to rip you off.

- **Pay the charges due each month**. If you have to keep an unpaid balance, pay it early to reduce interest charges.

- If you can't pay the balance, **use a lower-interest type of credit**, such as a line of credit, to pay the higher interest cards.

- **Use cash advances only when absolutely necessary**. Interest on credit card cash advances is usually charged daily from the date of the advance.

Using a Credit Card

Credit cards are convenient because they allow you to make purchases without carrying around a lot of cash. But they are a form of debt. If you do not use them wisely, you may pay hundreds of dollars yearly in interest charges. When you use a credit card, you are really **borrowing money** from a bank or the credit card company. Each purchase you make is a **loan** to be repaid later. The bank pays the purchase amount for you, and at the end of the month the bank sends you a bill (a statement) and asks you to pay them back. It is important that you are familiar with the conditions of any credit cards you have.

Each month they send you a statement that shows your transactions (*your purchases, returns, and payments*) and the new balance owed for that billing period A billing period is a month in length but not necessarily from the first day of the month to the last day; billing periods can start in the middle of a month.

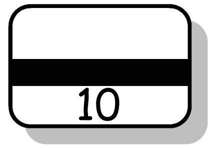
The statement shows your minimum balance that you have to pay by the date shown on the statement. The **minimum** monthly balance is the amount that has to be paid to the lending institution to maintain an account in good standing. But only paying that amount leads to finance charges and interest being charged on the balance of the amount owed for the billing period. **Any unpaid amount** (of the entire balance owed for the billing period**) will have interest compounded daily on it from the date of purchase. If you** don't pay your balance in full, your amount owed on your next statement will include the **unpaid amount from this statement** plus the **finance charge on that unpaid amount** plus any **new purchases** you make.

Interest on Purchases using a Credit Card:

- If you pay your entire balance owing on a credit card by the due date on your statement, you will not be charged any interest.
- If you only pay the minimum balance shown on your statement, the credit card company will **charge interest compounded daily** on the unpaid balance (of the total owed for the billing period). This is called a finance charge. Credit cards use simple interest to calculate the finance charge each month The interest rate you are charged is often relatively high—it can be between 15% to 25% a year. Most credit card companies now must show how long it will take to pay off the balance owing assuming you only make the minimum payment and you do not make any more purchases using the card. The interest rate you are charged is relatively high—it can be between 15% to 25% a year.

	Payment Made	~ Time to pay off card	~ Total amount of interest paid	~ Total amount paid
Full Payment	\$1500	1 month	\$0	\$1500
Partial Payment	\$135	1 year	\$125	\$1625
Minimum Payment	\$30	11 years	\$1413	\$2913

Practice – Credit Cards



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1. Dylan has a credit card with a **monthly interest rate charge of 1.5%.** He had a **previous balance of $3800** and made **purchases totalling $1780**. He made a **payment of only $2100.** Calculate the <u>interest he paid</u> (the finance charge) and his new balance. **The interest is charged on the unpaid balance (after the payment).**

Previous Balance	Payment	Interest	New Purchases	New Balance
$3800	$2100		$1780	

Do work here:

Interest = (Previous Balance – Payment) x monthly interest rate (*as a <u>decimal</u>*)

= (______________ - _______________) x ______________

= ____________________________

New Balance = Previous Balance – Payment + Interest + New Purchases

= ____________ - ______________ + _______________+ ___________

= _________________________

2. Allie has a credit card with a monthly interest rate charge of 1.6%. She had a previous balance of $3500, and made purchases totalling $1480. She made a payment of only $3300.

Previous Balance	Payment	Interest	New Purchases	New Balance
$3500	$3300		$1480	

Do work here:

Interest = (Previous Balance – Payment) x monthly interest rate (as a decimal)

= (____________ - _____________) x ____________

= ________________________

New Balance = Previous Balance – Payment + Interest + New Purchases

= ____________ - ___________ + __________+ __________

= ______________________

This assignment will help you to understand how to read a credit card statement and how everything is calculated. We will follow the Flinstone family for a few months to see how they are doing with their credit card. The Flinstones pay an annual interest rate of 18% on their credit card which translates to a monthly rate of 1.5%.

ASSIGNMENT #5

Follow the steps below to make the calculations on each page:

1. Find the account balance from the previous statement.
2. **Total** the new purchases listed on the current statement.
3. **Total** the payments and credits listed on the current statement.
4. Calculate the **finance charge** (interest owed).

   Finance Charge=1.5% x (Previous Balance – Payments)
5. Calculate the **New Balance.**

   New Balance=Previous Balance + New Purchases + Finance Charge – Payments
6. Calculate the **Minimum Payment Due.**

   Minimum Payment = 5% x New Balance

To find the percent of a number,

- ***Divide the percent by 100 to find the decimal***
- ***Multiply the decimal by the number***

The Super Charge Card

Send Payment To:
P.O. Box 555
Coolville, Canada

Account Number	Name	Statement Date	Payment Due Date
8322-156-00938	Fred and Wilma Flinstone	February 1, 2013	February 15, 2013

Transaction Date	Posting Date	Reference	Merchant Name	New Purchases	Payments & Credits
1/03	1/06	498876739938-2	Town Paint and Supply	$42.55	
1/05	1/10	498839827486-1	Zippo Gasoline Company	$8.92	
	1/15		Payment, Thank You		$50.00
1/15	1/20	475445739564-2	Hardestax Lumber Company	$89.96	
1/21	1/25	443659365421-8	Kitchen DeeLight Restaurant	$33.89	
1/28	1/31	458912454212-9	Bardelow's Department Store	$25.67	

Previous Balance	New Purchases	Finance Charge	Payments and Credits	New Balance	Minimum Payment Due
$324.80					
Monthly Periodic Rate 1.5%	Annual Percentage Rate 18.00%				

The Super Charge Card

Send Payment To:
P.O. Box 555
Coolville, Canada

Account Number	Name	Statement Date	Payment Due Date
8322-156-00938	Fred and Wilma Flinstone	March 1, 2013	March 15, 2013

Transaction Date	Posting Date	Reference	Merchant Name	New Purchases	Payments & Credits
	2/06		Payment, Thank you		$125.00
2/06	2/09	498852539938-2	Custom-eeze	$35.69	
2/14	2/17	498129827486-7	The Old Shoppe	$55.90	
2/19	2/24	498269827486-5	Speedmobile Repairs	$139.95	
2/20	2/24	498219827465-2	Cromwell Books	$18.75	
2/20	2/25	498269825986-6	Dandy Candy	$12.69	
2/24	2/27	498225927476-3	Dr. Carlton	$69.00	
2/26	2/29	492698263546-3	Dr. Carlton	$22.50	

Previous Balance	New Purchases	Finance Charge	Payments and Credits	New Balance	Minimum Payment Due
Monthly Periodic Rate 1.5%	Annual Percentage Rate 18.00%				

The Super Charge Card

Send Payment To:
P.O. Box 555
Coolville, Canada

Account Number	Name	Statement Date	Payment Due Date
8322-156-00938	Fred and Wilma Flinstone	April 1, 2013	April 15, 2013

Transaction Date	Posting Date	Reference	Merchant Name	New Purchases	Payments & Credits
3/02	3/05	492852532638-3	Zippo Gasoline Company	$19.58	
3/02	3/08	498852539938-2	Kitchen DeeLight Restaurant	$53.42	
3/04	3/13	498129827486-7	The Trap	$163.44	
	3/17		Payment, Thank you		$175.00
3/14	3/18	498219827465-2	Kitchen DeeLight Restaurant	$41.42	
3/14	3/18	498269825986-6	Muller's	$193.47	
3/14	3/21	498225927476-3	The Daily Plant	$38.83	
3/20	3/23	492698263546-3	Zippo Gasoline Company	$59.97	
3/21	3/25	498126927895-8	Kitchen DeeLight Restaurant	$19.89	

Previous Balance	New Purchases	Finance Charge	Payments and Credits	New Balance	Minimum Payment Due
Monthly Periodic Rate 1.5%	Annual Percentage Rate 18.00%				

The Super Charge Card

Send Payment To:
P.O. Box 555
Coolville, Canada

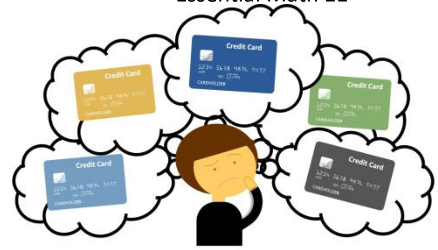
Account Number	Name	Statement Date	Payment Due Date
8322-156-00938	Fred and Wilma Flinstone	May 1, 2013	May 15, 2013

Transaction Date	Posting Date	Reference	Merchant Name	New Purchases	Payments & Credits
4/01	4/10	494095739564-1	Scripps Bookstore	$15.68	
	4/12		Payment, Thank You		$100.00
4/01	4/14	498876739938-2	Hammer and Nale Hardware	$22.40	
4/14/	4/16	498445739564-2	Save-More Gasoline	$8.52	
4/20	4/23	488976215421-8	Tastee Time Restaurant	$18.95	
4/20	4/27	489352454212-9	The Bent Toe Shoe Shoppe	$26.78	
4/25	4/28	498876739938-2	HoneyDo Bakery	$15.50	

Previous Balance	New Purchases	Finance Charge	Payments and Credits	New Balance	Minimum Payment Due
Monthly Periodic Rate 1.5%	Annual Percentage Rate 18.00%				

Final Question: **How are the Flinstones doing at managing their debt? Explain.**

Credit Card Decisions



There are many factors that help you decide which credit card is best for you. Some of these factors are **interest rates, annual fees, and benefits.**

Interest rates

- Make sure the credit card has an **interest-free period** for purchases (like not having to pay interest for the first 30 days). An interest-free period is very important because you don't have to pay interest right away. If you pay the balance before the interest-free period is over, you pay no interest. However you are charged interest on cash withdrawn with a credit card, starting the day it is taken out, whether or not you have an interest free period.
- Find out what the **interest rate** will be if you do not pay your bill completely at the end of every month. The interest rate doesn't matter much if you always pay off your entire balance, as you don't pay interest. But if you carry a balance on your card from month to month, you will want to find a credit card with a **lower interest rate** so that you are charged less money by the company.

Benefits

Many, but not all, credit cards offer **benefits which encourage people to choose their credit card**. Examples of benefits include points received for charging a certain amount of money to the card. Points could be used for **cash back or discounts** on purchases in the store or for **travel**. Points can be used towards **items offered by the company** like electronics, home items, gift cards.

Having benefits can help you collect points and rewards that will save you money but be cautious. Make sure there is no fee to pay for the card. If there is a fee, ask yourself if the cost of the benefit is worthwhile, compared with the benefit itself.

Annual Fees

Some, but not all, companies charge an annual fee for convenience and/or because of the benefits the card offers. If there is an option to have a credit card with no fee or to have a credit card with a fee, you should choose the card that fulfills your spending needs.

For example, Kellen is getting a credit card now that he has turned 18. Both credit cards that he is comparing offer a 21-day interest-free period. MYZA has a credit card with no annual fee but an interest rate of 26%. Victory card offers a card with an annual fee of $20 and an interest rate of 16%. Kellen plans to carry a balance on his credit card. Which should he choose?

The following page is an example of the information a company may provide you when it wants you to choose its credit card.

Annual Interest Rates

The annual percentage rate (APR) is the interest rate that the cardholder has to pay on the new balance of the card. The default percentage rate (DPR) is the interest rate applied to the balance of the card if the minimum balance has not been paid by the due date. The DPR is 5% higher than the APR.

	APR	DPR
No Fee Card		
On Purchases	17.99%	22.99%
On Cash Advances	19.99%	24.99%
Low Rate Card		
On Purchases	11.99%	16.99%
On Cash Advances	19.99%	24.99%
Premium Card		
On Purchases	19.50%	24.50%
On Cash Advances	19.99%	24.99%

There is an introductory rate (1.99%) available for the first eight months after acquiring the card.

Interest-Free Grace Period

Interest will not be charged on purchases for 21 days from the statement date as long as the previous statement balance has been paid in full. There is no interest-free grace period on cash advances.

Determination of Interest

Interest is charged from the transaction date until it is paid in full. Interest is calculated daily but is added on each monthly statement. The daily interest rate is the APR ÷ 365 days in a year.

Minimum Payment

The total minimum payment due on a monthly statement is 3% of the balance or $10—whichever is greater—*plus* any other money owed from past months. New balances under $10 must be paid in full.

Foreign Currency Conversion

All foreign currency transactions are converted to Canadian dollars at the foreign exchange rate set by the credit card company. The currency may be directly converted into Canadian dollars or first into US dollars then Canadian dollars, depending on the country.

A cross-border fee of 2.5% is charged for each foreign transaction, plus the exchange rate explained above.

Annual Fees

Annual fees for Primary Cardholders

- No Fee Card $0
- Low Rate Card $29
- Premium Card $99

This fee is applied once the card is used, and appears on the first or second statement. Following this, the annual fees are applied again on the anniversary of the card's activation.

Annual fee for each Authorized User

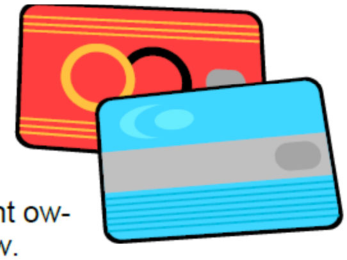
- No Fee Card $0
- Low Rate Card $29
- Premium Card $29

If the authorized user(s) are added when the primary card is activated, then the annual fees are applied at the same time as they are to the primary card. If the authorized user(s) are added after the account has been opened, the annual fee will appear on the statement following the first use of the card, and will be applied on the anniversary of the card's first transaction.

Other Fees

Cash Advance	
(ATM—Canada)	$2.50 per transaction
(ATM—International)	$5.00 per transaction
(Cash back—Canada)	$7.50 per transaction
(Cash back—International)	$7.50 per transaction
Statement Copy	
Within 12 months	$5.00 per statement
Over 12 months	$7.50 per statement
Returned/Refused Payment/Cheques	$20.00 per transaction
Over limit	$30.00 per statement
Stop payment	$10.00 per transaction

•



Assignment 5: CREDIT CARD DILEMMA

In his spare time, John loves to buy old cars and fix them up. John currently has 2 credit cards. One is a Canadian Tire Advantage MasterCard. The other is a ACME Bank Low Interest VISA. The amount owing and the way each credit card works are contained in the table below.

Credit Card	Amount Owing	Credit Limit	Interest Rate	Minimum Payment Percentage	Annual Fee	Other features
Canadian Tire Advantage MasterCard	$532	$5 000	25.99% per year on outstanding balance*	3% of outstanding balance per month	None	Gas discount of $0.02 to $0.10 per litre at Canadian Tire gas bar and special offers on auto parts
Acme Bank Low Interest VISA	$58	$5 000	11.99% per year on outstanding balance*	5% of outstanding balance per month	$29 (added to first bill)	None
* No interest will be paid on new purchases if payment in full is made within 21 days of receipt of statement (grace period), BUT interest is paid on cash advances from the date of the advance						

1. Why do you think that John has the Canadian Tire card?

____

____

2. What is the benefit of the ACME Visa?

____

____

Up until recently, John was fairly responsible in the way that he used his credit cards because he always paid them off in full at the end of each month.

Then John saw a used Ford Mustang that he wanted to buy and fix up. The cost of the car was $3 500. John didn't have the money saved up for the car but decided to get a cash advance on his Canadian Tire card for $3 500. He also spent $1 022 for parts to fix the car and to make a large insurance payment. Now, John is thinking that he might be in over his head but thinks that as long as he can make the minimum monthly payments he isn't too concerned.

John meets with his Acme banker to get her advice. Assume that John is going to have to make minimum payments only at first. After buying the car and related purchases, John now owes **$4 522** on his Canadian Tire card and **$229** on his VISA.

3. What would John's minimum payment be for each credit card this month?

4. What will John's total minimum payments be this month?

John's banker shows him the following table. He is shocked to learn how long it will take him to pay off each of these credit cards if he pays only the minimum payment.

Credit Card	**Amount Owing**	**Number of Years to Pay Back at Minimum Payment**	**Total Interest Cost**
Canadian Tire Advantage Mastercard	$4 522	31 years	$11 139.46
Acme Bank Low Interest VISA	$229	2.7 years	$85.56
Total	$4 751		$11 225.02

John's banker suggests he take advantage of his VISA's credit limit to transfer his outstanding balance from his Canadian Tire card to his VISA. She says he should do so and then cancel the Canadian Tire card and just keep the VISA card. Here is John's new credit situation if he takes the banker's advice.

Credit Card	**Amount Owing**	**Number of Years to Pay Back at Minimum Payment**	**Total Interest Cost**
Canadian Tire Advantage Mastercard	$0	N/A (cancelling card)	$0
Acme Bank Low Interest VISA	$4 751	8.4	$1 160.79
Total	$4 751		$1 160.79

5. How much will John save in interest by moving his Canadian Tire balance to his VISA?

6. How much sooner will John has his credit card paid off?

7. What are the two reasons that John is able to pay his credit card off sooner and save interest?

8. Why is the banker suggesting John only have one credit card (his VISA)?

9. What other advice can the banker give John?

10. What can happen to your ability to get a credit card or borrow money if you don't pay money back on time?

Protecting Your Credit Card

Once you have a credit card, you need to be aware of what you have purchased using your credit card and when your payments are due. At the end of every month, be sure to check your credit card statements to make sure that you were not charged twice for the same purchase. This can happen because of an error in the computer system. Also, you want to be sure that only purchases you made are on your bill. If other purchases appear on your bill, you need to inform the company that issued your card for two reasons:

1. You do not want to pay for anything that you didn't buy, and if you don't pay for it then you will be charged interest (if you don't tell the company that you did not authorize that transaction).
2. Your credit card number may have been stolen, so you should cancel the card and have another one issued (which will have a different number).

It is very important that you protect your credit card number so that no one can steal it. A credit card thief can spend a lot of money and ruin your credit rating. This can have a negative effect on you in the future when you apply for a loan or personal line of credit, because the bank will look at your credit rating to determine whether you are reliable at paying back money that you have borrowed.

The following is a list of ways you can protect your credit card number:

- Do not give your credit card to someone as a "security deposit."
- Keep your receipts because they have part of your card number on them. Don't leave them at the till or put them in a public garbage can.
- If you are making an online purchase, be sure that the website is secure before entering your credit card number. You can tell that a website is safe if it has https:// at the beginning of the URL, rather than just http://.
- Do not give out your credit card number over the phone. This is very important because you do not know who is on the phone with you.

Lesson 6 - Loans

You must be 18 years or older to get a loan. You might use a loan in the future to buy a car, to go to post-secondary school, or to renovate a house.

When discussing loans, you must consider four components:

- the **term**
- the **interest rate**
- the **amount** of the loan (***the principal***)
- the **monthly payment**

Loan Vocabulary

Amortize: to pay back a loan

Amortization Period: the time required to pay back a loan

Term: the amount of time during which the conditions of the loan are in effect

Fixed Interest rate: stays the same for the whole term

Variable interest rate: fluctuates (change; goes up/down) during the term

Principal: the amount borrowed

The **interest rate** depends on many factors Generally, the **greater the amount of money you borrow, the lower the interest rate.** Other factors that determine interest rate are your **past financial record**, your **current financial situation**, and the **amount of security** you can offer.

A loan can have a **fixed interest rate** or a **variable interest rate**. We will look at fixed interest rates with monthly payments

A loan can be ***amortized*** **at a fixed interest rate over a specific period of time (the *term*).** The interest rate you negotiate with the lending institution can be fixed for a maximum of 5 years. On the last day of the term, you must pay off the loan or renew it. If you renew, you renegotiate the interest rate. But most people will repay (amortize) their loans within 5 years.

The **monthly payment** of a fixed rate loan will be equal amounts for the term of the loan until the loan plus interest are paid in full.

In general, the **longer** it takes you to repay a loan, **the greater amount of interest** you pay (even though the interest rate is usually lower).

Calculating monthly payment

You can use an **Amortization Table** or you can use a **loan calculator**.

Go to https://pwhicker.wikispaces.com/ to get the links for the preferred calculator for **Android** (financial calulators) and **IOS** (EZ financial calculators) and for the **computer** (financial calculator.org).

Example 1:

Ryan wants to buy a 60 inch T.V. for $3000 plus taxes. He doesn't have the money right now so he decides to take out a personal fixed rate loan with a fixed interest rate of $7\frac{1}{4}\%$

a) How much will he pay per month if he takes out the loan for 2 years?

Steps:

1) Calculate the amount of loan (add taxes) GST= __% PST = _____ %

- Calculate PST on $3000: ___________________________

- Calculate GST on $3000: _____________________________

- Total loan principal ($3000 + two taxes): ________________________________

2) Use the loan calculator to find the **monthly payment**. Enter the principal (calculated in a), the interest rate, and the number of months. (2 years = ___________________ months).

- Monthly payment for _______ months: _______________________________

3) How much interest will he pay? ***(total interest = total cost – loan amount)***

- Multiply the monthly payment by the number of months.
  →Total amount paid in two years: _____________________________

- Subtract the principal (in a) from the total amount paid in two years
  He paid an extra ________________________ on the initial tv amount by paying for it through this loan.

Try it!

1. Bea Noble requires a personal loan of \$10 000 for home renovations. Her financial institution offers her a **three-year loan** at a fixed interest rate of $10\frac{1}{4}\%$.

a) How much must Bea pay her financial institution each month? ___________________

b) How much does Bea pay in interest over 3 years? __________________

2. Bea Noble chooses to amortize her \$10 000 loan in five years rather than three years. Her financial institution offers her a fixed interest rate of 9.5%.

a) How much must Bea pay her financial institution monthly? ________________

b) How much does Bea pay in interest over the five years?

c) Does Bea pay more interest if she chooses to amortize her loan over 5 years rather than three years (in #1)?

____

____

3. In general, the <u>longer</u> it takes you to repay a loan, the <u>greater</u> the amount of <u>interest</u> you pay (even though the interest rate is usually lower). However there may still be reasons you'd choose the 5 year option instead of the 3 year option (even though you eventually pay more interest). What might some reasons be?

____

____

Exercise Lesson 6 Loans

1. Complete the following chart:

Amount of Loan	Annual Interest Rate	Amortization Period (years)	Monthly Payment
\$5000	$10\frac{1}{2}\%$	4	
\$13,500	$9\frac{3}{4}\%$	1	
\$7800	11%	5	
\$10,750	$10\frac{1}{4}\%$	3	
\$18,250	$8\frac{3}{4}\%$	2	

2. Bea Wright requires a personal loan of \$15 000 for home renovations. Her financial institution offers her a five-year loan at a fixed interest rate of $10\frac{1}{4}\%$.

   a) How much must Bea pay her financial institution each month?

   b) How much does Bea pay in interest over the five years?

3. If Bea Wright decides to amortize her loan of \$15,000 over one year rather than five years, her financial institution offers her a fixed interest rate of $9\frac{3}{4}\%$.

   a) How much must Bea now pay her financial institution each month?

   b) How much must Bea pay in interest over the year?

   c) What is the difference in the interest she pays when the loan has an amortization period of one year instead of five years?

Lesson 7 – Sales Promotions

Companies **provide credit** in a variety of ways to encourage you to buy their products. It can sound like a great deal but it's important to make an **informed** decision. A wise consumer must know the **whole story** of the promotions, **including the fine print**, to make a good credit decision. Just make sure you are aware of what your obligations as a borrower are before you enter into the agreement.

- **Buy Now Pay Later**

The most commonly advertised form is the "**buy now, pay-later**" promotion. In this promotion, the customer can make a purchase **now** and postpone the payment for a specified amount of time. However don't be misled into thinking you don't have to pay anything at the time of purchase. It is possible that although the payment for the item is postponed, taxes, delivery fees, and administrative fees might be charged at time of purchase. (The administrative fee is the amount a company charges for the work involved in administering the "buy now, pay later" plan.) The danger is that **many people who aren't able to pay for something straight away probably aren't going to have the funds to pay for it in six months or a year's time either**. Read the plan and the **fine print** very carefully to find out what **conditions** the borrower must meet in order to not pay the interest now or later. For example, when does the interest-free period end and how much interest will you should you not repay the full amount before this date? If you play by the rules and are very careful, this plan can work. If you don't stick right to the letter of the agreement you signed, though, you could end up paying big. Once the no-pay period is up, if you don't pay the full balance, the **interest** rate on it **skyrockets.** Plus, you'll have to **pay back all the interest you avoided** during the promotional period. Don't forget about the deadline and make sure you follow the rules exactly. Even if just one cent is left unpaid after the payment due date, you will usually be charged interest on the whole amount of your original purchase. If you're **not sure that you'll be able to pay for it on the due date,** then you'd be much better off buying a less expensive or used item, because the fees and interest rates are generally high. Interest rates are one of the main "buy now, pay later" perils. You should also avoid using this type of financing for items you don't really need or for things you can wait for until you've saved enough money.

Pros	Cons

Example : Leon's "Don't Pay For a Year"

Howie Doing has two options for purchasing the surround sound system of his dreams:
option 1- Pay Now:

- $**1299.00 plus GST, PST** , and **delivery charge of $25 (incl.taxes)**

option 2 – Pay 1 year from now:

- pay taxes, delivery charge and a $49.99 administration fee (plus taxes) now and
- pay $1299.00 one year from now.

(We will use the slightly less accurate method of multiplying the price by the **1.13** to calculate GST and PST instead of multiplying by **1.05** and **1.08** separately and rounding off before finding the total. Multiplying by $1.13 is calculating 13% tax and adding it to the item.. all in one step.)

a) Calculate Howie's pay-now price (option 1).

Pay Now Price = ________________________ X 1.13 + $25

= ________________________

b) Calculate Howie's total pay later price (option 2).

Immediate Cost = ________________ x 0.13 + __________________ + _________________ x 1.13
(cost of system) (delivery) (administration fee)

= ____________________ + ____________ + _______________________

= ____

c) What does Howie pay later in total for option 2?

Note that the "don't pay for a year" advertisement **isn't really true** if you ARE paying taxes and added fees right away.

__________________ + ____________________________
Immediate cost cost of surround sound system (without tax)

= ___________________

d) How much more would he pay if he chooses the pay-later price?

= ________________________ - _______________________
(part c) (part a)

= ____

e) Express this difference as a percent rate (rounded to 1 decimal place) of the **total** pay now price.

% Rate = _________________ ÷ _________________ x 100 = _________________% more
(part d) (part a)

Practice: Best Buy

"Don't Pay For a Year"

Eileen Dover has two options for purchasing the washer and dryer of her dreams:
option 1- Pay Now:

- $999.00 plus GST, PST , and delivery charge of $50 (incl.taxes)

option 2 – Pay 1 year from now:

- pay taxes, delivery charge and a $29.99 administration fee (plus taxes) now and
- pay $999.00 one year from now.

a) Calculate Eileen's pay-now price (option 1).

Pay Now Price = ________________________ X 1.13 + $25

= ________________________

b) Calculate Eileen's total pay later price (option 2).

Immediate Cost = ________________ x 0.13 + __________________ + _________________ x 1.13
(cost of system) (delivery) (administration fee)

= __________ + ____________ + ______________

= ____

c) What does Eileen pay later in total for option 2?

__________________ + ____________________________
Immediate cost cost of washer/dryer (without tax)

= ____________________

d) How much more would she pay if she chooses the pay-later price?

= ________________________ - ______________________
(part c) (part a)

= ____

These are examples of the **extra hidden cost** of this promotion. But the real danger is that **failing to pay in full by an agreed date** brings **huge interest** charges backdated to the start of the agreement. Missing a payment deadline could leave people with **bills amounting to twice the original price**. It is vital customers understand what they are signing up for and what will happen if they fail to repay on time. **If you don't have the money now, will you really have it later?** Or is this just going to add to your **debt problems** in a year?

e) Express this difference as a percent rate of the **total** pay now price.

% Rate = __________________ ÷ __________________ x 100 = ____________% more

Pat Foran on avoiding the 'buy now pay later' trap

CTV's consumer affairs specialist Pat Foran Published Friday, March 5, 2010 1:03PM EST

Want a new TV but don't have the money? Maybe you need a new washer/dryer or even a new bed? Why not buy now and pay later? It's what millions of Canadians do every year – but many of them are getting caught with unexpected interest payments when they miss their due date.

We've had many complaints from viewers who were not aware that if **they missed paying in full the amount they borrowed** on a deferred payment plan, they can be charged **compound interest back to day one!**

Martin Campbell told CTV News when he needed new hardwood flooring he went to Home Depot. He says he had the cash but accepted an offer to make no payments, interest free for a year.

Campbell told us "I bought **$2,500** worth of flooring and they offered me an interest free credit card - so I said sure. It sounded like a good idea at the time."

Over the course of the year **he moved and stopped receiving statements**. When he went to pay his bill he was three months late and was hit with **interest charges of 29 per cent** - compounded from the day he bought the flooring.

"I was shocked when I realized there was **$900 interest added** to my account."

Credit counselors know all about people being hit with surprise interest charges. Laurie Campbell with Credit Canada says while some consumers do have the money but forget to pay on time -- most of her clients just can't afford to pay in full when the bill comes due.

"People who do the 'don't pay a cent event' do it because they **can't afford** the furniture and they **hope when the year rolls around they will be in better shape** -- but often they aren't and when the bill is due they can't even begin to pay for it."

Home Depot says it makes its customers aware of its deferred payment plans with information in the store, in brochures and online. The company told us "The Home Depot, with our partner Citi Cards Canada, offers a number of special payment plans. Eighty per cent of our customers… pay off their account before any interest is charged."

Campbell admits he forgot to pay before the year was up. He says by **keeping his money in the bank he made only $30 in interest** but it cost him a **$900 interest penalty.** He says he won't take part in a deferred payment plan again.

Campbell said "I asked for a pair of scissors and cut up the card on the spot. I want to make sure I don't ever do that zero interest plan again."

Key points:

- "Buy now pay later" programs are known in the credit and financing world as **deferred payment programs or accounts.**
- The "interest-free" period generally ranges from six to 24 months, so it can be a good way to buy big-ticket items, as long as long as you **pay it off in time.**
- If you don't pay off the balance by the due date, the **annual rate of interest** on a deferred payment scheme can range between **25-30 per cent and even higher**
- Sometimes there is also a **deferral fee** in addition to the cost. These fees can be a flat amount ranging anywhere from $25-75 or a percentage of the amount to be financed.
- Pat suggests the bottom line is that **if you can't afford it now, you may not be able to afford it later**.
- If you do decide to go with a no money down, no payments, no interest plan make sure you understand your obligation completely, write down the due date on a calendar and be sure to pay off the amount **weeks ahead** to allow for **processing time.**
- Pay off as much as you can if you cannot pay off the full amount and keep in **mind if you only pay the minimum monthly payment you could end up paying two to three times more than that couch or TV is worth.**
- The best advice? **If you can't afford it now -- what makes you think you can afford it later?** So save your money, **buy used** or **do without** if possible. Almost all of these plans have interest rates of 28 per cent or more.

Buy Now. Pay Later.

The Trap: The intention is to **appeal to a customer's impulses by removing all the usual barriers** to purchase. The retailer's hope is that the **customer's instinct to buy** will **drown out that little voice asking the questions, "*do I really need this*?" and, "*can I afford to pay for it?*"**

How do companies make money by extending these amazing offers to customers? It's simple. Retailers know that the percentage of people who will actually pay off their balance in full before the due date is very small. **Once you miss the payment date, the retailer can back-date the interest charges to the day you bought the "stuff"**. When you consider that many store cards or financing deals charge a 29.9% interest rate, it's not hard to see how the cost of the $5000 furniture set you bought 18 months ago can increase overnight to $7500 if you don't pay off the balance in full, on time. It also becomes clear how those **backdated (and ongoing) interest charges can make a lot of money for the lenders.**

Avoid the trap by:

- **Don't get lured into making an impulsive decision;** take at least 24-48 hours to think about taking on any kind of "buy now, pay later" financing deal. Figure out a payment plan that's manageable and allows you to get the debt paid off early. If you can't afford it, **wait.** ***Those "one time" deals are never the one offs that the marketing ads suggest – it's just a sales strategy.***

- **Make the payments on time**: Your loan is only interest-free as long as it's paid off, in full, on time. **No matter how much of the loan you've paid; unless the balance is 100% paid off, you're still going to be charged ALL of the interest owing on the full purchase price not just the outstanding loan balance.** Whether you set up automatic payments from your bank account or go into the store each payday, make sure you get the **whole balance paid off well before the due date. If you can't manage the payments, don't make the purchase.**

- Installment Buying

An alternative promotion to buy now, pay-later is installment buying.

- Pay a down payment at the time of purchase
- Pay the rest of the purchase price in **equal amounts** (called 'installment payments'), over a given number of equal payments.

Installment price = down payment + total of all installment payments

The installment price is usually **higher** than the cash selling price.

finance or carrying charge = installment price – cash selling price

What are the benefits to companies to offer installment buying as an option?

" What happens if I'm a little late with one of the installments ?"

Installment buying is a form of credit buying . Companies often charge a substantial amount for the privilege of purchasing on credit. **A wise consumer must know the cost of installment buying (ie *how much more the item will cost with installment buying over the cash selling price)* BEFORE deciding to pay with installments.**

Example 1

At Palindrome Warehouse company, all price read the same forwards and backwards. The company offers customers the option of purchasing its products in installments. Mark Kahn decides to purchase a PVR from the Palindrome Warehouse Company. The PVR has a cash price of $389.93 plus taxes. The installment terms are $50 down and $75 a month for 6 months.

a) Calculate the cash selling price of the PVR including PST (__%) and GST (__%).

b) Calculate the installment price of the PVR.

c) Calculate the finance charge.

d) In your opinion, should Mark purchase the PVR in installments? ____________

____

____

____

____

____

In general, when making a decision to purchase in installments, there are factors to consider **in addition** to the carrying charge. When you are trying to decide whether you should pay cash now or buy in installments, in addition to considering the carrying charge, ask yourself the following questions:

- Do you have enough money to pay the cash selling price right now?
- Do you need the item immediately?
- If you do not have enough money to pay now and you do not need it immediately, can you save enough money to pay in cash in 6 months?
- Could you find a similar item that costs less, or that is on sale, or that is used, that is within your budget right now, so you can avoid paying on installments?

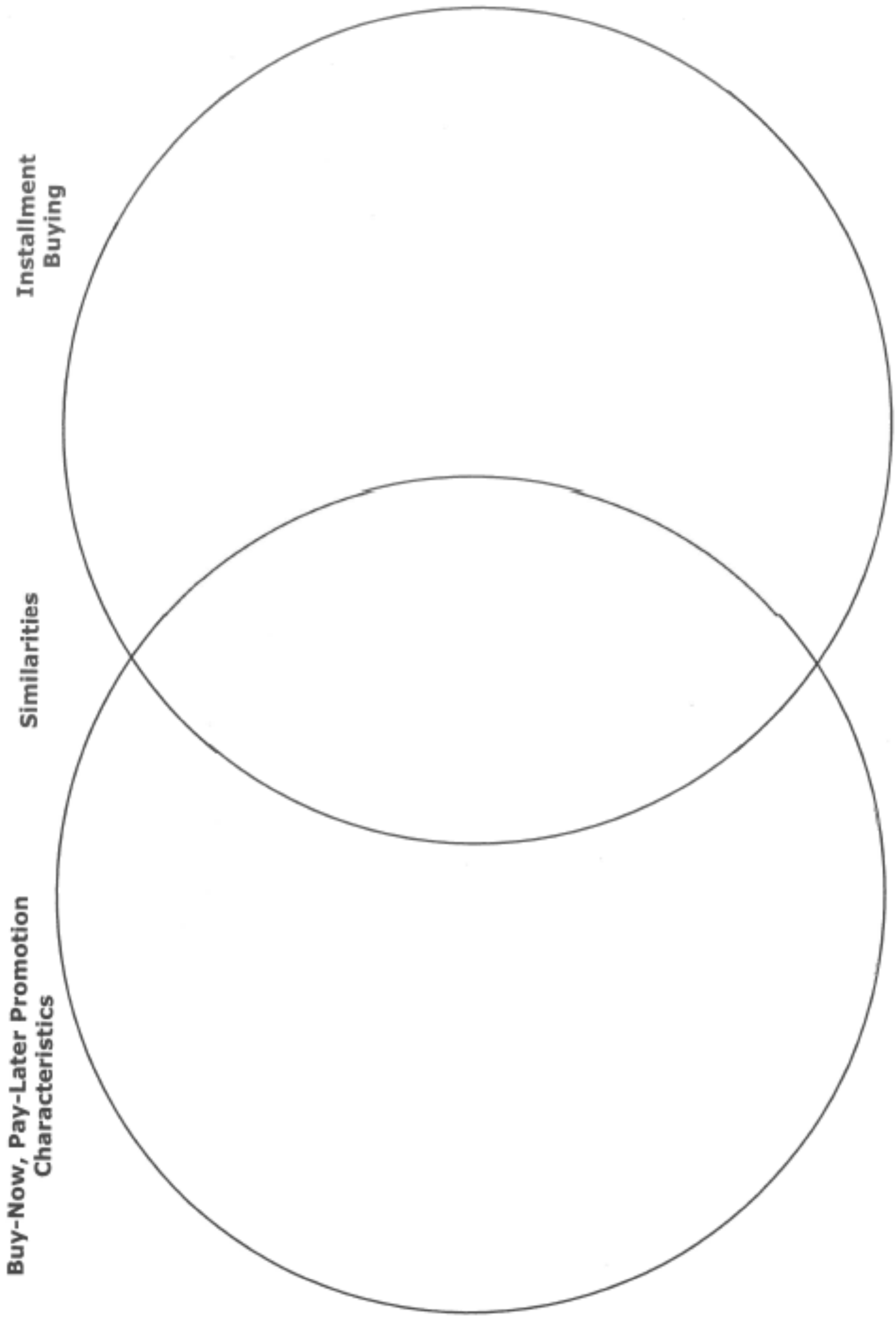
Installment buying – practice

To calculate taxes, use _____% for PST and __________% for GST.

1. Copy and complete the following chart.

Cash-Selling Price (without tax)	GST (5%)	PST (7%)	Cash-Selling Price (with tax)	Down Payment	Monthly Payment	Months	Installment Price	Carrying Charge
a) 249.98				$35	$50	6		
b) 998.98				$75	$100	12		
c) 1879.99				$100	$300	8		
d) 5998.95				$500	$400	18		

2. Robert Trebor decides to purchase a television set at Palindrome Warehouse Company. The television set has a cash selling price of $999.99 plus taxes. The installment terms are $200 down plus $45 a month for 24 months.
   a) Calculate the cash selling price of the television set.
   b) Calculate the installment price of the television set.
   c) Calculate the carrying charge.
   d) Calculate the percent rate of the carrying charge compared to the cash selling price.
   e) In your opinion, should Robert purchase the TV set in installments?
3. In the Venn Diagram on the next page, write down key characteristics of the buy-now, pay-later promotion and installment buying promotion.


Installment Buying
Similarities
Buy-Now, Pay-Later Promotion Characteristics

ASSIGNMENT #7

1. Charlie's Save-A-Lot is offering a chance to save money. If you buy a bedroom suite consisting of a bed, a dresser, and two night tables you do not have to pay for one full year. All you have to pay will be the administration fee of $45 per item (plus GST/PST) bought. The suite costs $1500 plus tax.

   a) What is the total cash price of the bedroom suite with tax?

   Total Price = ____________________ x 1.13 = ________________________

   b) What is the total Administration fee (incl. tax)?

   Administration Fee = ___________________ x _________________ x 1.13
   (administration fee) (number of items)

   = ____________________

   c) What is the rate of this fee to the total cash price?

   % Rate = _________________ ÷ _________________ x 100 = __________________
   (part b) (part a)

2. T.V. City has announced that if you buy any television in stock, you will not have to pay for six months. If you take them up on this deal the cost to you will only be $980 plus taxes. If you decide to pay immediately you will pay $920 plus taxes.

   a) What is the difference in price?

   Pay now price= ________________________ x 1.13 = ________________________

   Pay later price = _______________________ x 1.13 = ________________________

   Difference = ______________ - _________________ = _______________________

   b) What is the rate of this difference in price to the cash price?

   % Rate = _________________ ÷ _________________ x 100 = __________________
   (difference) (pay now)

3. DaBeatz Furniture Store is having a sale. There will be no down payment, and no interest for six months. Annual interest of 19.9% is billed from the date of purchase unless you pay in full within the first six months. The minimum purchase is $299.99.

   a) If you buy a kitchen set for $975 plus taxes and pay the entire bill in five months, how much will you pay?

      Pay in five months price = ____________________ x 1.13 = __________________________
      (price)

   b) If you buy this kitchen set for $975 plus taxes and pay the full price at the end of a year, how much will you pay?

      i) using simple interest (I=PRT)

      P = _________________ R = _________________ T = _________________
      (19.9% as a decimal)

      I = ___________________ x ___________________ x ___________________

      = ____

      Total paid = ________________ + __________________
      (principal) (interest)

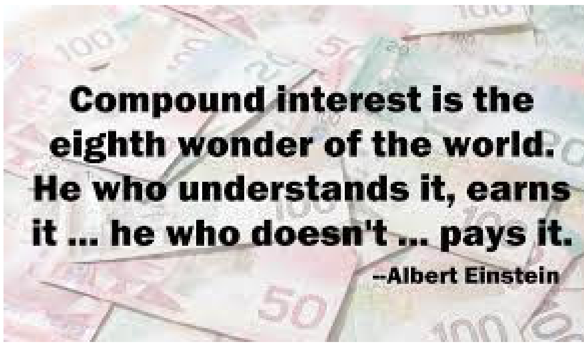
      = ____

   ii) compounded monthly

   P = _________________ r = ____ n = _____ t = _______

$$A = P\left(1 + \frac{r}{n}\right)^{nt}$$

Make credit work for you
Stop thinking of a credit card as "**free money**" and start looking at it as a **savings accoun**t with **rewards** attached. Be disciplined; **never** charge anything you **don't have the cash to pay for right away**. Pay for your purchase, then put the money onto the card the minute you get home (or before bill is due) to avoid interest charges altogether while receiving the **rewards** the card offers and building your credit.
If you track every purchase the same way you would if it were a debit card, and never spend what you don't have, you can **avoid the dangers** of buying on credit.



"I'd like a no-interest loan, since I have no interest in paying it back."